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Message Text

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47
ACTION TRSE-00

INFO OCT-01 ARA-06 ISO-00 EB-07 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 USIA-06 PRS-01 SP-02 OMB-01 SWF-01

FEA-01 /080 W
---------- 094874
P 051859Z DEC 74
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC PRIORITY 9080

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E.O. 11652: N/A
TAGS: ETRD, AR
SUBJ: COUNTERVAILING DUTIES: FOOTWEAR

REF: STATE 263388

1. EMBASSY HAS CONSULTED BOTH GOA AND INDUSTRY SOURCES ON QUESTION RAISED IN REFTEL. IT IS CORRECT THAT GOA HAS PERMITTED 35 PERCENT INCREASE IN DOMESTIC PRICES OF FOOTWEAR, IN LINE WITH A GENERAL POLICY OF THE NEW ECONOMIC TEAM TO INTRODUCE MORE FLEXIBILITY INTO PREVIOUSLY RATHER RIGID PRICE CONTROLS. SIMILAR PRICE INCREASE HAVE BEEN PERMITTED ONOTHER PRODUCTS. INDUSTRY SOURCES TELL US THAT THERE WILL PROBABLY BE SOME INCREASES IN EXPORT PRICES ON NEW 1975 LINES OF FOOTWEAR. HOWEVER IT WILL NOT BE ANY ACROSS THE BOARD PERCENTAGE SUCH AS 10 PERCENT. THEY CITE AS EXAMPLE OF REASONS WHY PRICE INCREASES WILL VARY THE FACT THAT MANY LINES OF WOMENS SHOES SOLD IN DOMESTIC MARKET HAVE SOLES MADE OF MATERIALS BASED ON PETRO-CHEMICALS,WHICH HAVE INCREASED FAR MORE IN PRICE THAN THE LEATHER USED IN MOST EXPORTED FOOTWEAR.

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2. BOTH GOA AND INDUSTRY SOURCES STATE POSITIVELY THAT DIFFERENCE BETWEEN PRICE RISE PERMITTED FOR THE DOMESTIC MARKET AND ANY

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PRICE INCREASE IN EXPORTED SHOES DOES NOT IMPLY A SUBSIDY,
BUT RATHER INDICATES WHAT CAN HAPPEN IN A PRICE CONTROLLED,
INFLATIONARY ECONOMY WHERE HIGHER PRICES CAN BE COMMANDED
(AT LEAST TEMPORARILY) THAN IN THE EXPORT MARKET WHERE, OF
COURSE, PRICES HAVE NEVER BEEN CONTROLLED BY THE GOVERNMENT.

3. GOA AUTHORITIES INFORM US THAT DATE ON WHICH DECREE
1416 BECOMES EFFECTIVE IS DEC 23 (30 WORKING DAYS AFTER ITS
PROMULGATION). UNTIL THEN SHOE EXPORTS ARE BEING HANDLED UNDER
THE OLD SYSTEM. CIFEN IS NOT YET OPERATING IN THE SHOE EXPORT
BUSINESS. UNDERSECRETARY VARTALITIES INFORMED US THAT GOA EXPECTS
TO WORK OUT WITHIN ABOUT 10 DAYS A PLAN OF OPERATIONS.VARTALITIS
ALSO SAID THAT GOA WANTS TO SUBMIT THE PLAN TO TREASURY FOR
ITS CONCURRENCE BEFORE PUTTING IT INTO EFFECT. HE SAID THAT
TREASURY OFFICIALS HAD TOLD AMB ORFILA THAT A TREASURY OFFICER
MIGHT BE SENT TO BUENOS AIRES FOR THIS PURPOSE.

4. VARTALITIS EMPHASIZED THAT GOAS MAIN INTEREST IS IN AVOIDING
AN INTERRUPTION INTHE FLOW OF SHOE EXPORTS TO THE US. HE SAID
HE HAD REACHED AN "UNDERSTANDING" WITH THEN ASSISTANT
SECRETARY KUBISCH IN WASHINGTON SOME MONTHS AGO THAT USG AND
GOA WOULD COOPERATE TO PREVENT SUCH INTERRUPTION. HE EXPRESSED
APPRECIATION OF USG COOPERATION. DECON 12/5/75.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOOTWEAR, TAX LAW, COUNTERVAILING DUTIES, PRICE TRENDS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS08857
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740353-0578
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741259/aaaabyfl.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 263388
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <13 MAR 2003 by izenbei0>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTIES: FOOTWEAR
TAGS: ETRD, AR, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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